



Dear Members of the Memphis City Council and Citizens of Memphis,

As required by Memphis City Charter, I am submitting to you the proposed Fiscal Year (FY) 2014 City of Memphis General Fund Budget.

This proposed Fiscal Year 2014 Operating Budget is \$622.5 million dollars which represents a \$25.9 million dollar decrease from the adopted budget of \$648.5 million for Fiscal Year 2013.

This FY2014 budget is a balanced budget that can also essentially be termed as a "continuation budget" in the sense that the level of services provided for in the FY2013 budget are essentially the same.

In a larger sense, this budget and the tough decisions associated with it are being driven by three predominating factors: revenue loss we have experienced inclusive of one-time revenue generators we must restore, dramatic increases in our debt fund payments, and expense increases that have been largely attributable to the restoration of one time cuts and the maintenance of public safety - specifically the Memphis Police Department - at a level that has grown by over \$40 million over the last several years.

With respect to our revenue loss, we have seen an approximate \$26 million decrease resulting from a

number of factors including but not limited to a tax revenue shortfall of nearly \$8 million and our one-time use of \$19.5 million from City reserves to balance last fiscal year's budget. In addition to the long work to build our City reserves back up given the aforementioned \$19.5 million draw we made on it in FY 2013, there is also the need to restore the \$22 million we took from the City's OPEB fund.

Our debt service has grown dramatically over the last few budget cycles with the refinancing and restructuring of debt we have taken on in order to help fund city schools, an undertaking we assumed for four years without a dedicated revenue stream. We have increased our debt service obligation by \$20 million when comparing FY2013 to FY2014. In the FY2014 budget, approximately 84 cents from our property tax rate is apportioned toward our debt services fund which is a 13 cents increase - over \$13 million overall - from the 71 cents that has been dedicated over the last several years. This drop from \$20 million to \$13 million in debt service obligation was actually realized through another refinancing opportunity we initiated which essentially pushes this financial obligation forward to future budget discussions and processes.

Regarding our overall expenditures from FY2013 to the proposed FY2014, we saw a decrease in \$ 52.7 million on paper with the end of our court-mandated obligation to fund Memphis City Schools. However, this reduction in expenditures produced no reductions in real terms when considering the many one-time measures used to close the budget gap that were no longer viable, the loss of approximately \$33.6 million in property tax revenue from a tax rate decrease initiated in FY 2008, and the increase of the budget for the Memphis Police Department by some \$43 million since FY2008, inclusive of the \$17 million increase from FY2012 to FY2013. To reiterate, we have essentially realized no positive financial impact from the ending of our obligation to fund Memphis City Schools.

The structural imbalances we have seen in our City's budget over the last several years where expenditures have outpaced revenue have been profound. These budget imbalances compel us to definitively answer and identify the level of services the public is comfortable with funding. This year's continuation budget will get us more fully into the implementation of our Five Year Strategic plan which we are in the process of framing with input from the Council and from the citizens of Memphis. This critical process will assist us tremendously as we become more intentional about the level of services Memphians are comfortable with funding.

Lastly, our fiscal realities - critical though they might be - have not deterred us from the priorities we have adopted for our city. Throughout the scope of our operations and as highlighted in a number of sundry ways throughout this proposed budget, we will continue to place strong emphasis on our work to create safe and vibrant neighborhoods, grow prosperity and opportunity for all, invest in our young people, and advance a culture of excellence in government. These guiding principles have been our north star in spite of the choppy waters we have had to navigate with reference to our funding of City government operations.

As we continue to chart the course for the future, I would only remind us all that it is truly within our power to advance these priorities for our city as we make the responsible decisions and critical investments that a city of our size, renown, and possibilities truly deserves.

Yours in service,



A C Wharton, Jr.

Mayor, City of Memphis

**Note:** The Mayor's transmittal letter was written at the time that the Proposed Budget was submitted to Council. This schedule shows the amendments made to the Proposed Budget.

<b>FY2014 Operating Budget</b>	<b>Proposed Budget</b>	<b>Amendments</b>	<b>Adopted Budget</b>
<b><u>General Fund Revenues</u></b>			
Unallocated Revenues	575,869,081	3,945,457	579,814,538
Divisional Revenues	46,668,029	-	46,668,029
<b>Total Revenues</b>	<b>622,537,110</b>	<b>3,945,457</b>	<b>626,482,567</b>
<b><u>General Fund Expenditures</u></b>			
City Attorney	9,581,259	2,853	9,584,112
City Council	1,491,479	33,248	1,524,727
City Court Clerks	5,275,174	(38,098)	5,237,076
City Judges	597,870	18,790	616,660
Engineering	8,351,316	42,218	8,393,534
Executive	5,581,776	(67,380)	5,514,396
Finance	4,762,463	(64,617)	4,697,846
Fire Services	158,322,303	(2,649,795)	155,672,508
General Services	20,496,972	(242,509)	20,254,463
Grants & Agencies	65,299,850	4,562,463	69,862,313
Housing and Community Development	6,857,468	6,063	6,863,531
Human Resources	6,325,774	48,054	6,373,828
Information Services	15,271,009	41,877	15,312,886
Parks and Neighborhoods	45,484,384	2,163,262	47,647,646
Police Services	241,502,870	(7,447,002)	234,055,868
Public Works	27,335,143	(5,543,999)	21,791,144
<b>Total Expenditures</b>	<b>622,537,110</b>	<b>(9,134,572)</b>	<b>613,402,538</b>
<b>Contribution/(Use) of Fund Balance</b>	<b>-</b>	<b>13,080,029</b>	<b>13,080,029</b>

<b>FY2013 CIP Budget</b>	<b>Proposed Budget</b>	<b>Amendments</b>	<b>Adopted Budget</b>
<b>Total Revenues</b>	<b>165,411,775</b>	<b>4,550,000</b>	<b>169,961,775</b>
<b>Total Expenditures</b>	<b>165,411,775</b>	<b>4,550,000</b>	<b>169,961,775</b>

